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TAGS: EMIN, PLOS, CA

SUBJECT: INCO BRIEFING ON SEABED MINING

1. COMMERCIAL SEABED NICKEL MINING BY INCO (INTERNATIONAL NICKEL) CANNOT REASONABLY BE EXPECTED TO BEGIN BEFORE 1985. ACCORDING TO AN INCO BRIEFING FOR AMBASSADOR ENDERS AND ME. INCO, TOGETHER WITH GERMAN, JAPANESE, AND AMERICAN PARTNERS, INITIATED A FOUR YEAR FEASIBILITY STUDY LAST YEAR (AT AN ESTIMATED COST OF DOLS 33 MILLION) WITH THE OBJECT OF ASSEMBLING THE DATA REQUIRED FOR A GO/NO-GO DECISION ON COMMERCIAL SEABED MINING. INITIAL TESTING OF A COMPLETE MINING/PROCESSING SYSTEM IS EXPECTED IN THE FALL OF 1977.

2. IN INCO'S VIEW, OCEAN MINING IN THE FUTURE WILL COMPETE ONLY WITH LOWER GRADE LATERITE PROJECTS IN TROPICAL AND SUB-TROPICAL COUNTRIES AND WILL HAVE "LITTLE OR NO IMPACT" ON EXISTING LAND-BASED OPERATIONS

INCO ALSO BELIEVES IT WILL HAVE LITTLE EFFECT ON THE COPPER INDUSTRY, SINCE IT WILL REPRESENT ONLY A SMALL PROPORTION OF THE COPPER MARKET. ON THE OTHER HAND, SEABED MINING WILL PROBABLY HAVE AN IMPACT ON THE COBALT AND MANGANESE INDUSTRIES, ACCORDING TO THE COMPANY.

3. ASSUMING COMMENCEMENT OF COMMERCIAL OPERATIONS IN THE MID-EIGHTIES, THE COMPANY EXPECTS NODULE MINING TO GROW AT "A MODEST RATE" UNTIL AT LEAST THE END OF THE CENTURY, "CERTAINLY WELL BELOW THE 60 PERCENT RATE OF MARKET EXPANSION AND THE LIMIT PROPOSED TO THE UN."

IF OCEAN MINING ACCOUNTS FOR 15 PERCENT OF THE TOTAL MARKET IN YEAR 2000, INCO ESTIMATES ITS CAPITAL INVESTMENT AT 15 BILLION CONSTANT 1976 DOLLARS. THE COMPANY EXPECTS THE FREE WORLD NICKEL MARKET WILL BE LARGELY DEPENDENT ON LOW-GRADE LATERITES AND SEA NODULES IN THE 21ST CENTURY.

4. RE LOS, THE COMPANY SAYS AN UNSATISFACTORY OUTCOME COULD CANCEL ALL ITS TECHNICAL DEVELOPMENTS. IT SEES THE MAJOR LEGAL REQUIREMENTS FOR COMMERCIAL SEABED MINING AS (A) ASSURED ACCESS TO AREAS CHOSEN FOR EXPLOITATION, (B) A "REASONABLE" TAX OR ROYALTY REGIME;

State Dept. review completed

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(C) "STABLE" RULES AND REGULATIONS; AND (D) FAIR COMPETITION IF A
UN ENTERPRISE IS ESTABLISHED.
5. COMMENT: INCO'S ESTIMATES OF DEVELOPMENT TIMETABLE AND MARKET
GROWTH WOULD APPEAR TO CONTRADICT THE 3-5 PERCENT ESTIMATE OF
CANADAIN GOVERNMENT AS REPORTED IN LOCAL PRESS. THE INCO FORECAST
ALSO BELIES FEARS EXPRESSED IN CANADIAN PARLIAMENT THAT SEABED
MINING WILL WREAK ECONOMIC DISASTER ON CANADIAN NICKEL BELT IN
NORTHERN ONTARIO. DIGGINS